



# Lone Star Rally 2016

Economic Impact Study

May 9<sup>th</sup>, 2017

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# Executive Summary

The following report estimates the economic impact of the 2016 Lone Star Rally on the city of Galveston, TX. To construct these estimates, this report considers two spending models: spending by festival organizers to host the Rally and visitor spending estimates *within* the city of Galveston during the event.

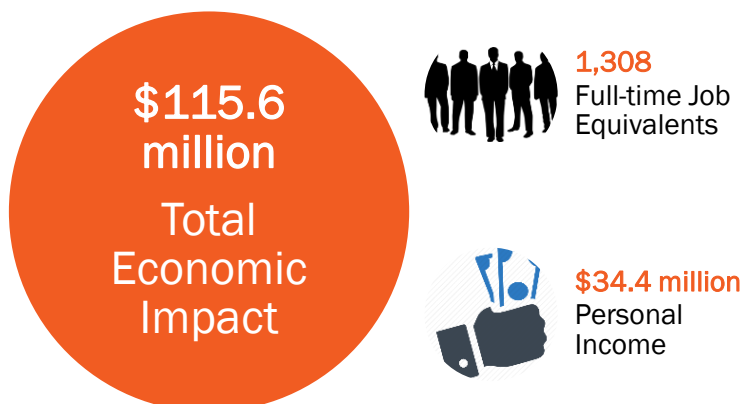


In total, Lone Star Rally contributed \$115.6 million to Galveston's economy, which includes creating and/or supporting 1,308 full-time job equivalents and providing \$34.4 million in personal income. These impacts generated an additional \$691,300 in local tax receipts - \$553,000 (80%) in Sales Tax revenues and \$138,300 (20%) in Hotel & Occupancy Tax (HOT) revenues.

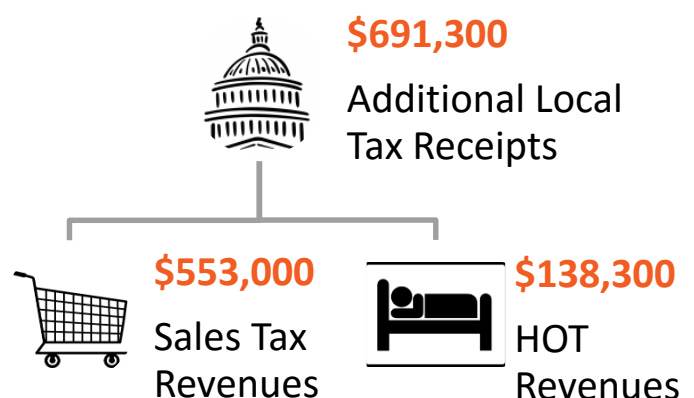
## Visitor Spending Estimates

Spending Category	Overnight Visitors Per Day	Day Visitors Per Day	Spending Totals Entire Weekend
Food & Beverage	\$27.59	\$15.05	\$26,609,328
Retail	\$21.09	\$16.06	\$27,990,534
Recreation	\$19.49	\$14.89	\$25,955,124
Lodging	\$73.53	N/A	\$3,515,966
Total	\$141.70	\$46.00	\$84,070,952

## Economic Impact:



## Local Tax Impact:



Sources: Lone Star Rally Inc., City of Galveston, Tourism Economics, Texas Comptroller, AE, IMPLAN

# Lone Star Rally Fast Facts

## Attendance Figures – November 3-6, 2016:



## Hotel Impact to the Greater Galveston Region

It is important to reiterate that this study analyzes the economic impact *within* the city of Galveston. Festival organizers and attendees certainly engaged businesses outside of the city, but those interactions are beyond the scope of this study.

To illustrate the magnitude of spending “leakages” outside the city of Galveston, consider the size of the Hotel industry within the city:

### City of Galveston

Total Hotel Rooms:

5,754

Estimated Party Size:

2.8 people

Estimated Capacity\*:

15,789

Galveston’s hotels were only able to house 2.7% of the total visitors to Lone Star Rally. This means that over 560,000 visitors did not stay within the city. Certainly, a large percent of these remaining visitors still stayed in a hotel, but this spending was not captured within the city. In fact, there are only an additional 55 hotel rooms in Galveston county that do not lie within the city – which implies that the vast majority of hotel spending occurred outside of Galveston County.

Losing spending dollars to outside areas is what is known as “leakages”, and it causes reduced economic impacts for major events. If the city and county can build more hotel rooms for the future, the amount of leakage will be reduced, and this will ultimately increase the economic impacts associated with events like the Lone Star Rally.

\*At 98% occupancy

Sources: Lone Star Rally Inc., City of Galveston, Tourism Economics, Texas Comptroller, AE, IMPLAN

# Introduction

Every year since 2003, Galveston, Texas has proudly hosted the Lone Star Rally. Visitors flock to the island to attend bike shows; truck, jeep, and classic car shows; and free concerts on two stages.

The Lone Star Rally has grown in size and popularity across its 14-years – most recently it attracted 576,000 visitors to Galveston Island in 2016. Today, it is truly one of the premier motorcycle and automobile shows in the United States, having surpassed the Sturgis bike rally in Sturgis, SD.

AngelouEconomics was retained by Lone Star Rally, Inc. and the City of Galveston to evaluate the economic impact of the Lone Star Rally on the Galveston economy.

In order to model the entire impact of the Rally, this analysis considers both expenses for rally operations as well as expenditures of out-of-town rally attendees. The later has been calculated using visitor spending data provided by the Galveston Island Convention and Visitors Bureau, tax receipts provided by the Texas Comptroller of Public Accounts, and AE's proprietary knowledge of large events and economic impact analyses.



# Impact to Galveston Tourism Industry

Lone Star Rally occurs in November, which is during the height of Galveston's "off season". Lone Star Rally's large draw of visitors provides local businesses with revenue boosts that are unprecedented for the weekends leading up to or following the Rally.

As an example, consider the hotel industry. **Over Rally weekend, hotels on the Island generate over 62% more revenue than they normally do in the three weekends leading up to and following the event.**



Additionally, Lone Star Rally continues to grow in popularity each subsequent year it takes place. **In 2016, the Rally drew nearly 100,000 more visitors than it did in 2015.** As the Rally continues to grow, local business revenues and government tax receipts will surely continue to increase as well.

Lone Star Rally History		
Year	Visitors	Percent Change
2013	375,318	
2014	381,849	1.7%
2015	486,350	27.4%
2016	576,000	18.4%

Source: City of Galveston

# Spreading Galveston's Brand

The Lone Star Rally has grown in size and popularity across its 14-years – most recently it attracted 576,000 visitors to Galveston Island. Today, it is truly one of the premier motorcycle and automobile shows in the United States, having surpassed the Sturgis bike rally in Sturgis, SD.

As a result of its growing popularity, Lone Star Rally has placed Galveston Island in both the national and international spotlight. Many major magazine's have featured articles about Galveston Island and the Lone Star Rally, including: **Motorcycle Events Magazine, Thunder Roads Texas Magazine, Cycle Source, American Iron Magazine, and Easyrider Magazine.**

Lone Star Rally's notoriety serves as a form of free marketing for Galveston Island by bringing visitors from all over the world to Galveston's streets, beaches, and most importantly – businesses. As this report documents, the economic impact during rally weekend is truly incredible (totaling to \$115.6 million).

In addition to the spike in profits during rally weekend, many local business owners have noticed that the rally's motorcycle following visits numerous times throughout the year. To illustrate this, the authors of this study interviewed Dennis Byrd, who owns the following bars and restaurants in Galveston:



*Q: Do you think Lone Star Rally has encouraged visitors to visit Galveston during other parts of the year?*

A: We have a strong motorcycle following throughout the year. So, in conjunction with our following and this event, it results in a successful weekend. Weather permitting, of course. I have no tangible evidence regarding those attendees of LSR revisiting the island. However, I believe it to be highly likely that given the caliber of the event and the amount of attendees that many would visit multiple times annually.

*Q: Why do you think they return? And how common is this occurrence?*

A: We firmly believe that successfully executed events that bring positive awareness to Galveston Island result in positive media exposure. We are supporters of Island events. Even those concentrated in areas that do not encompass businesses that we own. We do so because we believe that positive Island wide events benefit all before, during and after the event as a result of the exposure.

*Q: Do you think the rally helps spread the tourism “brand” of Galveston?*

A: Yes. Galveston Island is home to roughly 45K people. When we host any event, of any size larger than the local population, it is fair to assume it is spreading the tourism brand of the Island.

*Q: How important are major events like Lone Star Rally in building and spreading this “brand”?*

A: They are a must. All of them. Even those concentrated in areas that we do not have business. If the event is hosted on Galveston Island, it benefits the Island and all those who do business here through the exposure of the Island. Of course we would always prefer to be strategically aligned with the events but that is not always possible.

# Economic Impact Methodology

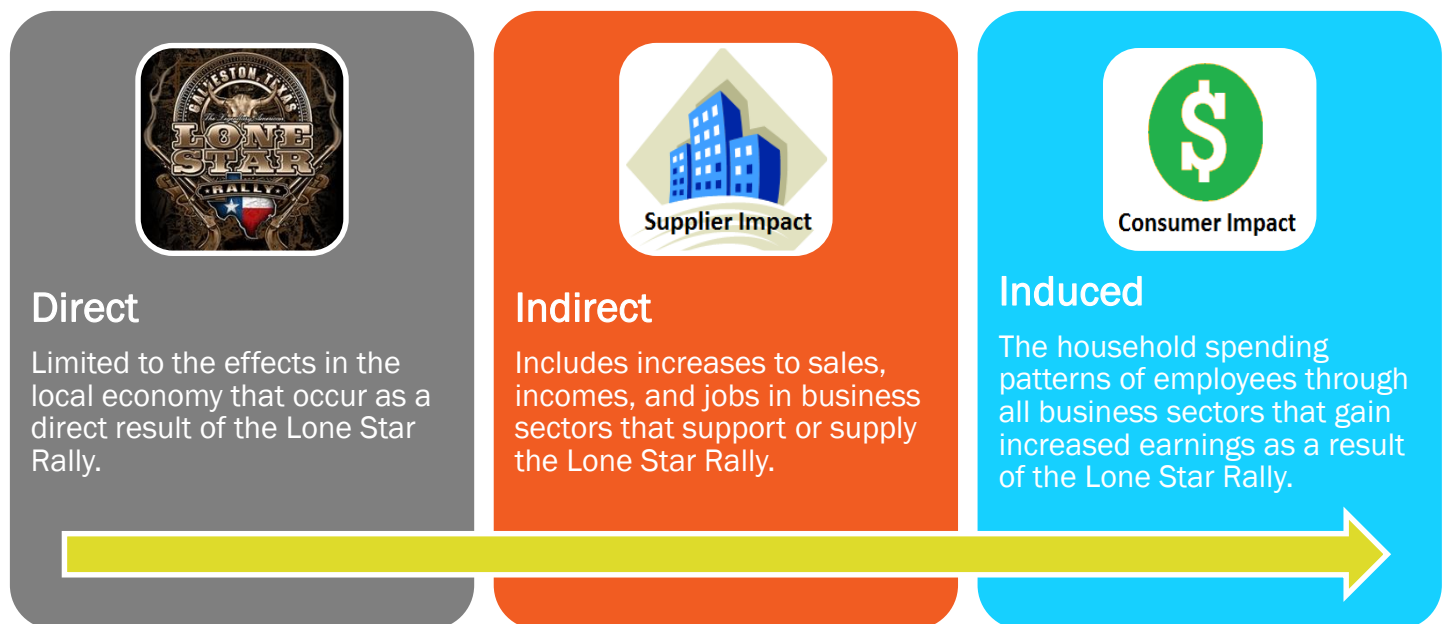
## Economic Impact Models & Inputs

- AngelouEconomics employed the 2015 IMPLAN (IMpact Analysis for PLANning) model for the analysis of the 2016 Lone Star Rally. The model utilizes multipliers specific to the Galveston economy, specifically Galveston County. The analysis of Lone Star Rally is comprised of two models: rally operations and attendee expenditures. The sum of these two impacts creates the total economic output of the Rally.
- Festival operations data was provided by Lone Star Rally, Inc. and were used to generate the festival operations model. The attendee expenditures model was created using tourism data specific to Galveston and assumptions estimating the amount of money spent by attendants on various categories of expenditures.



## Model Outputs

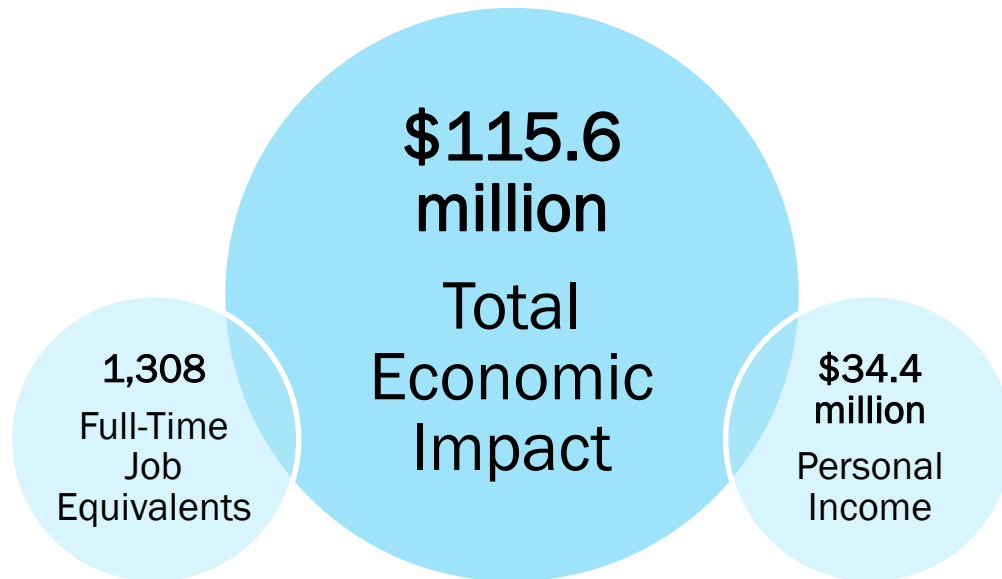
- Each of the models generate three different types of effects: direct, indirect, and induced. The IMPLAN model's calculated outputs include jobs, personal income, total economic output



Source: Implan

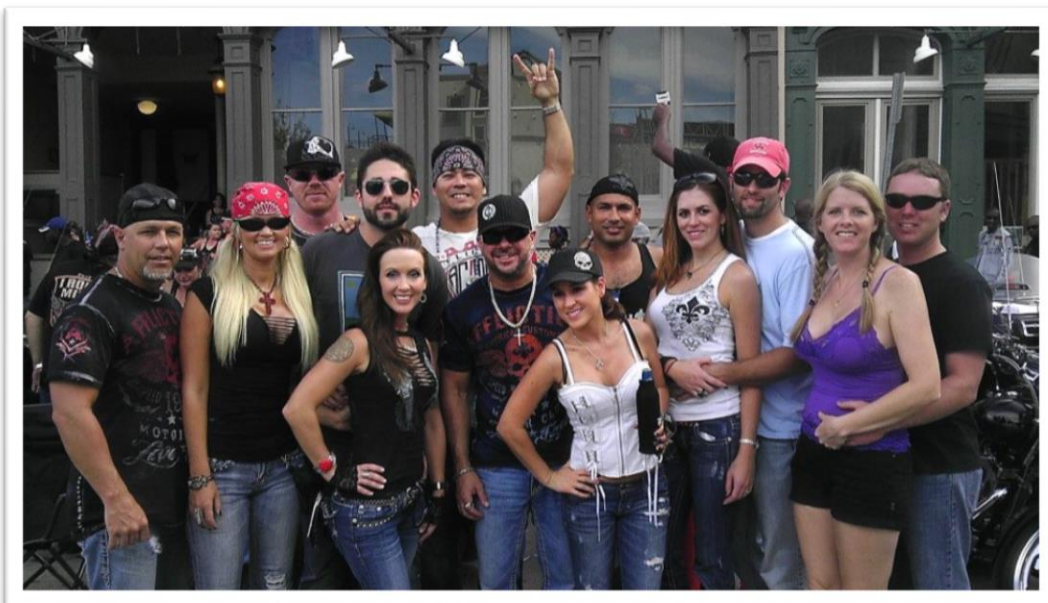
# Economic Impact

## Total Impact of the Lone Star Rally



## Total Economic Impacts

- The 2016 Lone Star Rally contributed **\$115.6 million** to the Galveston economy.
- The 2016 rally is responsible for **1,308 full-time job equivalents**.
- More than **\$34.4 million in personal income** were paid to Galveston employees as a result of Lone Star Rally.



Source: Lone Star Rally Inc., AE, IMPLAN

# Economic Impact

## Top Sectors Impacted by Lone Star Rally



Food & Beverage: **\$28.6 million**



Recreation Industries: **\$26.2 million**



Retail: **\$9.8 million**



Real Estate Markets: **\$7.1 million**



Hotels: **\$3.7 million**



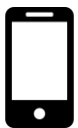
Insurance Carriers: **\$1.7 million**



Electric Utilities: **\$1.1 million**



Wholesale Trade: **\$1.0 million**



Wireless Communication Providers: **\$710,000**



Financial Institutions: **\$620,000**

# Economic Impact

## Impact of Rally Operations

IMPACT OF RALLY OPERATIONS			
	Full-Time Job Equivalents	Personal Income	Total Economic Output
Direct	17	\$440,092	\$1,656,133
Indirect	5	\$167,025	\$556,681
Induced	3	\$88,212	\$331,415
<b>TOTAL</b>	<b>25</b>	<b>\$695,329</b>	<b>\$2,544,228</b>

**420**



- Local vendors directly supported by Lone Star Rally

## Rally Operations Impacts

- Rally Operations accounted for **\$2.5 million** of the total economic impact of the 2016 Lone Star Rally.
- Rally operations are responsible for **25 full-time job equivalents**.
- Galveston employees were paid **\$695,000 in personal income** as a result of Lone Star Rally's operations.
- To account for leakages, all direct expenditures were made within the city of Galveston. In total, **420 businesses** were directly supported by Rally Operations.

Source: Lone Star Rally Inc., AE, IMPLAN

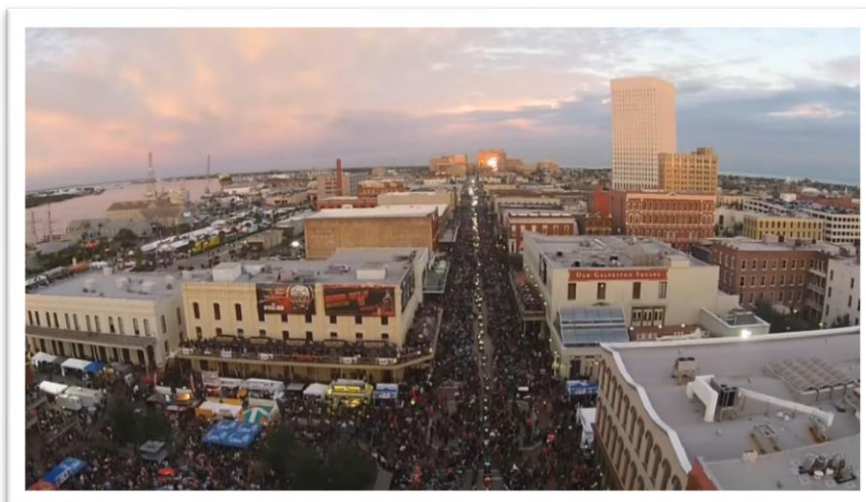
# Economic Impact

## Impact of Lone Star Rally Attendee Expenditures

IMPACT OF ATTENDEE EXPENDITURES			
	Full-Time Job Equivalents	Personal Income	Total Economic Output
Direct	1,050	\$26,080,891	\$84,070,952
Indirect	103	\$3,379,180	\$12,903,077
Induced	130	\$4,293,324	\$16,127,562
<b>TOTAL</b>	<b>1,283</b>	<b>\$33,753,395</b>	<b>\$113,101,591</b>

### Attendee Expenditure Impacts

- Rally Operations accounted for **\$113.1 million** of the total economic impact of the 2016 Lone Star Rally.
- Over **16,900 room nights** were spent in hotels within Galveston.
- Rally operations are responsible for **1,283 full-time job equivalents**.
- Galveston employees were paid **\$33.8 million in personal income** as a result of Lone Star Rally's operations.



Source: Lone Star Rally Inc., AE, IMPLAN

# Local Sales Tax Receipts

Local sales tax revenues experienced large spikes during the Lone Star Rally weekend due to the large influx of visitors. **Attendee expenditures during Lone Star Rally generated \$889,600 in local sales tax receipts – which is nearly \$553,000 more than the average non-rally weekend in November and December. This boost in sales tax receipts accounts for over 30% of total receipts collected in November 2016.**

Inputs into the model were derived from the Rally Operations and Attendee Expenditures models. AE applied the 2% local rate to all qualifying expenditures made by attendees or festival organizers. These figures were cross-referenced with IMPLAN estimates and Texas Comptroller data to verify the accuracy of estimates.

Boost in Local Sales Tax Receipts

**\$553,000**



Source: Lone Star Rally Inc., AE, IMPLAN

# Hotel & Occupancy Tax Receipts

This year, Lone Star Rally attracted 576,000 visitors to Galveston Island – nearly 100,000 more than 2015. The hotel industry was a primary beneficiary of this influx of guests, increasing hotel revenues by 84% during the Rally weekend (compared to the average non-rally weekend in November).

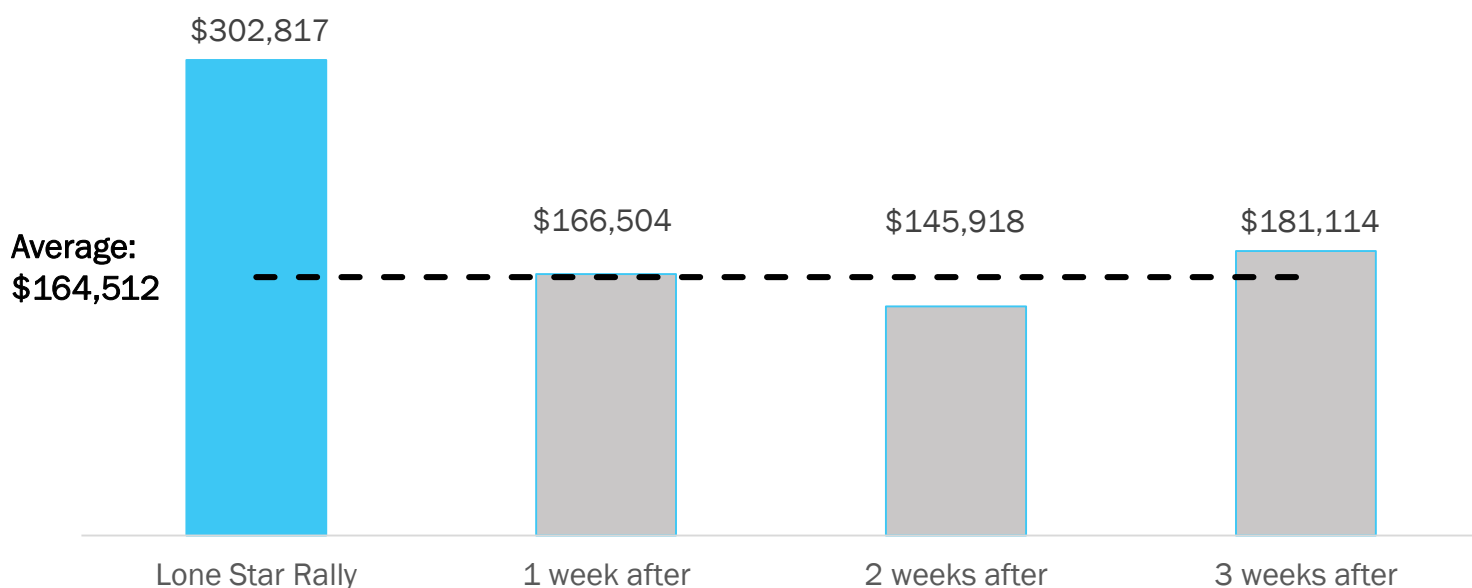
Taxable Hotel Revenue	
Lone Star Rally Nov 3-5	Average* 3 weeks after Rally
<b>\$3.4 million</b>	<b>\$1.8 million</b>

\*To be consistent with the Rally, the average is taken over each Thursday – Saturday in November

In Galveston, all lodging accommodations are subject to a 9% Hotel & Occupancy Tax (HOT), which is paid to the city. Boosts in hotel revenues during Rally weekend also boosted HOT receipts for the city.

In just four days, Lone Star Rally generated \$302,800 in HOT Revenues – which is \$138,300 more than the average non-rally weekend in November.

## HOT Receipts for the City of Galveston *Thurs - Sat*



Source: City of Galveston, Texas Comptroller

# Future Recommendations

To gain a better understanding of visitor spending patterns during Lone Star Rally, AngelouEconomics recommends that organizers develop a survey for attendees. The purpose of this survey is to increase the accuracy of economic impact figures by better understanding what people are spending money on, how much they are spending, and where they are spending it. Typically, gathering around 1,000 responses will provide a representative sample for an event of this magnitude. Below are questions that should be included in the survey:

1. Did you come to Lone Star Rally from outside Galveston?
  - Yes or No
2. Did you stay on Galveston Island for the Rally?
  - Yes or No
3. If not, what city did you stay in?
  - Open response
4. What type of accommodation did you have?
  - Hotel
  - Private Home Rental (Airbnb, HomeAway, etc.)
  - Home of friends or relatives
  - No accommodation/went back to own home
5. How many nights did you stay for Lone Star Rally?
  - Open response
6. What was the average cost of your stay per night?
  - Open response
7. How many people occupied your room, including you?
  - Open response
8. Approximately how much did you spend on each of the following items while at Lone Star Rally?\*

- Clothing & Accessories
- Retail Goods (toiletries, sunscreen, etc.)
- Food/Non-alcoholic drinks
- Alcoholic drinks
- Entertainment
- Other (bodegas, Art Market, anything else)

*\*Open response for each category*

# Appendix

## Additional Definitions

- **Multipliers:** Are unique to the region being studied and used to calculate the specific effects brought about by a change to a regional economy. For instance, a positive economic activity will have a multiplier greater than 1. This means that the economic impacts are greater than just the direct expenditures from the analyzed activity. Simply put, a multiplier is the ratio that defines the total economic output created for each dollar invested.
- **Jobs:** are created through induced effects and are full-time equivalents.
- **Personal Income:** includes all forms of employment income. This includes both wages and benefits.

# Appendix

## Attendee Expenditure Methodology

To build the Attendee Expenditures model for Lone Star Rally, AngelouEconomics relied on visitor spending data provided by the Galveston Island Convention and Visitors Bureau (via Tourism Economics), hotel and occupancy tax receipts provided by the Texas Comptroller of Public Accounts, and AE's proprietary knowledge of large events and economic impact analyses.

The following two charts provide the baseline data or assumptions used to build the attendee expenditure model, and the source of that information.

Key Assumptions & Baseline Data

Assumption /Data	November 2016 Hotel Revenues	% of Hotel Revenue Attributed to LSR	Number of Hotel Rooms in Galveston (city)	Occupancy Rate During LSR	Visitors per Room	Attendance
Amount	\$9.2 million	38%	5,754 rooms	98-100%	2.8 people	576,000
Source	Texas Comptroller	Galveston Park Board	Texas Comptroller	Interviews with Hospitality Professionals	AE	City of Galveston

Visitor Spending Estimates

Source: Galveston Island Convention and Visitors Bureau

Spending Category	Overnight Visitors	Day Visitors
Food & Beverage	\$27.59	\$15.05
Retail	\$21.09	\$16.06
Recreation	\$19.49	\$14.89

# About AngelouEconomics

AngelouEconomics partners with client communities and regions across the United States and abroad to candidly assess current economic development realities and identify opportunities.

**Our goal is to leverage the unique strengths of each region to provide new, strategic direction for economic development.**

As a result, AngelouEconomics' clients are able to diversify their economies, expand job opportunities and investment, foster entrepreneurial growth, better prepare their workforce, and attract 'new economy' companies.

To learn more, visit [www.angeloueconomics.com](http://www.angeloueconomics.com)



## Project Team

**Angelos Angelou**  
Principal Executive Officer

**William Mellor**  
Vice President & General Manager

**Anthony Michael**  
Project Manager, Economic Impact